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THE ARCHITECTS OF CHANGE:

W. Graham Claytor, Jr.

How to keep Amtrak going— and growing

'88 outlook: View from the top

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December 1987

Railway Age

...for the new age of railways and rail transit

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Inside

For suppliers, less could mean more

LUTHER S. MILLER

Does the continued shrinkage of the Class I railroad system portend a corresponding shrinkage of the market for railroad equipment, materials, and services? At least part of the answer to that question will be found in the 1988 outlook statements furnished to *Railway Age* by the chief executive officers of the major railroads (pp. 33-37).

CSX Transportation is trimming 1,600 miles from its system, through line sales or abandonments—but CSX isn't trimming its capital budget. CSX, which invested $490 million in capital improvements in 1987, has budgeted $550 million for 1988. "We will be concentrating on our core lines," President and CEO John W. Snow told *Railway Age*.

Burlington Northern, which is also slimming down, reports that it will have a capital program in 1988 "somewhat bigger" than 1987's $380 million. With traffic strong and equipment tight, BN will spend more on rolling stock as well as on roadway and signaling and communications, says President and CEO Darius W. Gaskins, Jr.

It is too early to say if this trend will hold true for all railroads. But it is not too early to say that healthier railroads have bigger capital appetites—and a healthier industry is what restructuring is all about in the first place.

Carbuilders are already seeing the making of a boomlet, if not exactly a boom. Orders for 4,074 cars in this year's third quarter (p. 13) brought orders for the first nine months to 12,714 vs 9,516 for the comparable 1986 period.

It's an overworked phrase, but "cautious optimism" is the only honest way to describe the immediate outlook as it is seen by the CEOs. Traffic has been considerably stronger in 1987 than anyone anticipated it would be a year ago, and the railroads have posted important new gains in efficiency and productivity. But rate wars with the truckers continue to erode revenues. Caution is further dictated by the uncertainty of the outcome of the battles railroads must wage next year at the labor bargaining tables and in Congress.

The situation in Congress is particularly murky and troublesome. It isn't probable that Congress will enact into law the bizarre piece of legislation that came out of the House Transportation Subcommittee on Nov. 5, but it's possible—and if that comes to pass, all bets are off.

AAR President William H. Dempsey says passage of that legislation could result in abandonment of up to one-third of railroad mileage, including main lines. AAR economist and assistant vice president Frank N. Wilner calls the legislation "simply a formula—intentioned or not—to restore what we thought were the dear dead days beyond recall. Most chilling is that the legislation represents a blatant taking of the rail industry's private property for redistribution to certain other industries—industries which, by whatever financial test, make the rail industry woefully anemic in comparison."

If you're wondering what monstrous nostrums Congress could concoct to bring about such melancholy forecasts, see Watching Washington (p. 17).

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Market Outlook

Equipment

Conrail: Ordered 30 4,000-hp, four-axle, microprocessor-controlled B40-8 locomotives from General Electric for delivery in the second quarter of 1988. The order is valued at more than $36 million.

Texas Industries: Was accepting delivery last month of the final 50 cars of an 80-car fleet of Twin-Hoppers® supplied by Pullman Leasing. They will be used in cement service from TXI plants in Texas and Mississippi to bulk distribution terminals in the South and Southeast.

Trailer Train: Ordered 100 five-platform articulated Impack cars from Bethlehem Steel's Freight Car Division. Impack is a patented design of Itel Rail Corp. Delivery is to begin in the first quarter of 1988.

Facilities

Bay Area Rapid Transit District: Awarded a $3.7-million contract to C. Overaa & Co. of Richmond, Calif., for construction of maintenance shops at Daly City Yard.

Los Angeles County Transportation Commission: Awarded a $13-million contract to Herzog, a St. Joseph, Mo., contractor, to install 16 miles of track for the Long Beach-Los Angeles light rail project.

Port Authority-Trans Hudson: Will spend $33 million on a major rehabilitation of the Hackensack River Bridge, a link in the PATH rail system between Newark, N.J., and the World Trade Center in Manhattan. Conrail transferred ownership of the 58-year-old bridge to PATH this year. Malfunction of the lift mechanism has been a frequent cause of delay to trains.

Santa Fe: Plans to begin operation in mid-December of a new intermodal facility at Galesburg, Ill. The single-track ramp will be able to handle 12 cars and will be equipped with a side loading/unloading unit; space is available for installation of a second track to double capacity. Also planned for the terminal are construction of a regional yard office and provision of lighted parking area for 175 trailers.

Revenue freight carloadings

Commodity	Nov. 14 week	Nov. 7 week	Oct. 31 week	Oct. 24 week	Oct. 17 week
Grain	30,337	31,600	30,772	32,368	34,690
Other farm products	3,896	4,058	4,005	4,501	4,708
Metallic ores	19,412	18,307	20,337	19,710	20,460
Coal	120,635	125,960	126,626	122,623	121,532
Crushed stone, gravel and sand	15,888	17,230	16,993	16,970	17,572
Nonmetallic minerals	10,051	9,438	8,784	9,953	9,219
Grain mill products	11,340	11,188	11,258	11,203	11,357
Food and kindred products	11,685	12,190	12,125	11,628	11,160
Primary forest products	9,963	9,950	10,046	10,522	10,658
Lumber and wood products except furniture	7,828	7,536	8,705	7,841	7,771
Pulp, paper and allied products	11,546	11,738	11,904	11,234	11,690
Chemicals and allied products	25,927	25,996	26,002	25,408	25,971
Petroleum products	5,120	4,810	5,060	4,966	4,882
Stone, clay and glass products	11,100	11,427	11,411	11,665	11,666
Coke	5,245	5,906	6,192	5,502	5,620
Metals and products	9,862	10,599	10,947	9,690	9,882
Motor vehicles and equipment	21,715	21,612	22,019	21,742	21,349
Waste and scrap materials	9,979	9,849	10,079	9,798	10,038
Forwarder and shipper assn. traffic	2,793	2,990	3,254	3,156	3,052
All other carloads	81,386	85,575	86,361	82,847	80,699
LCL traffic	—	—	—	—	—
Total Cars Loaded	**425,708**	**437,959**	**442,880**	**433,327**	**433,976**
% change from previous year	9.4	1.1	2.2	0.1	1.3
Estimated revenue ton-miles (billions)	19.1	19.5	19.6	19.3	19.2
% change from previous year	10.3	6.7	4.5	4.9	8.4

Total:	**1987**	**1986**	**% change**
46 weeks	819.4	778.1	5.3

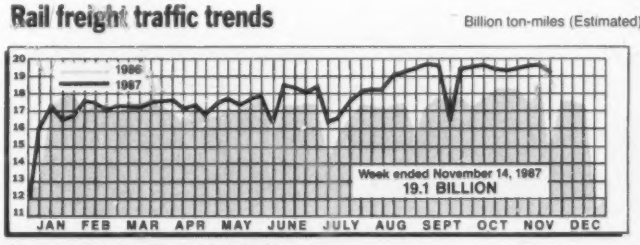
Piggyback loadings

	Nov. 7 week	Oct. 31 week	Oct. 24 week	Oct. 17 week
Trailers/containers	109,182	109,710	106,653	104,744

Cumulative total, 45 weeks		**% change from 1986**
Trailers/containers	4,459,931	2.9

Rail freight traffic trends

Billion ton-miles (Estimated)



Source: Association of American Railroads

Freight cars

	DELIVERED 3rd quarter 1987	DELIVERED 3rd quarter 1986	ORDERED 3rd quarter 1987	ORDERED 3rd quarter 1986	ON ORDER AND UNDELIVERED October 1 1987	ON ORDER AND UNDELIVERED October 1 1986
Built new by carbuilders	3,848	3,567	3,951	2,974	5,535	3,664
Rebuilt	123	0	123	0	0	0
TOTAL	**3,971**	**3,567**	**4,074**	**2,974**	**5,535**	**3,664**
Locomotives (new and rebuilt)	37	137	N/A	N/A	8	35

Source: Transportation Div., AAR and American Railway Car Institute

TRAFFIC TRENDS:

Grain and intermodal loadings lead a robust recovery

By DREW ROBERTSON,
President, Atlantic Systems, Inc.*
for *Railway Age*

Rail traffic in the third quarter sustained the robust pace established earlier this spring. Grain and intermodal traffic continued to record major gains over 1986 levels. Coal and steel industry-related commodities (steel, scrap, ore, and coke) rebounded remarkably from the last winter's doldrums. In fact, almost every rail commodity except autos and paper showed major increases in the third quarter.

Strong growth in rail traffic pushed up the demand for most rail car types as well. Covered hoppers outpaced 1986 levels by over 22% because of traffic gains in grain and chemicals. Surging coal and steel traffic led to a 7% increase in open top hoppers and an 11% rise in gondola loadings. Tank car loadings jumped by almost 15% over 1986 levels while TOFC advanced by almost 10%. Although plain and refrigerated boxcars demonstrated modest growth, equipped boxcars dropped by almost 5% because of weakening paper and auto parts business. Multilevel loadings, growing earlier this year, have flattened. Overall, carloadings increased by almost 8%.

Over a third of the growth enjoyed by the industry in 1987 has come from gains in covered hopper car traffic. In the third quarter, 17% of all U.S. traffic loaded in covered hoppers. Because of growth in grain and chemicals, covered hoppers in 1987 year-to-date have outpaced last year's pace by over 19%. This growth was particularly evident on CSX, UP, ATSF, and MKT, each enjoying at least 20% increases in covered hopper car loadings over 1986. Although CSX, UP, and BN load more covered hopper than other roads, covered hoppers are more important (as a percentage of total loadings) for smaller Western roads, especially Soo, CNW, MKT and ATSF.

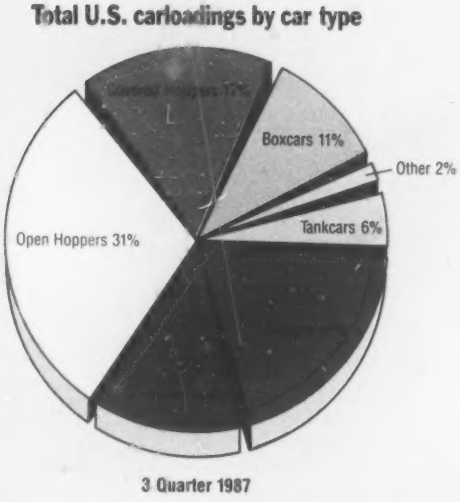
Traditionally, most Western roads originate more covered hoppers than they terminate on-line. Conversely, Eastern roads usually have surpluses. UP, BN, and CNW have had the largest covered hopper car deficits this year, while CR, SP, and NS have had significant surpluses. Since the early part of this year as traffic has built up, deficit or surplus situations on most roads have deteriorated. Recent car shortages will continue for some time.

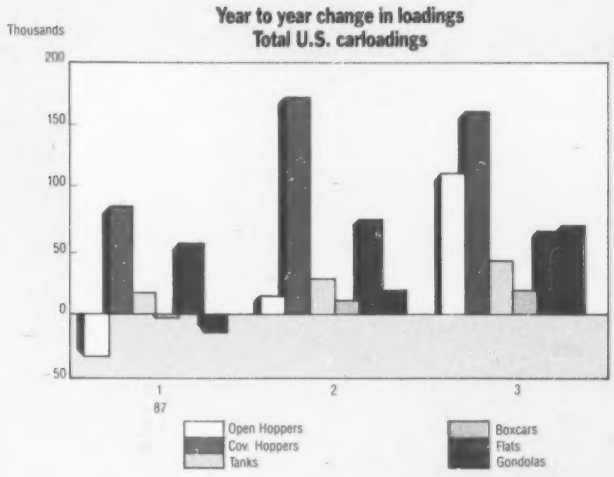
*Atlantic Systems compiles rail commodity data from the AAR's CS54-A Report and car type data from the CS54-1A/1B Reports. The data are available on diskette through ASI's Railshare service. Atlantic Systems is a transportation consulting firm located in New York City.

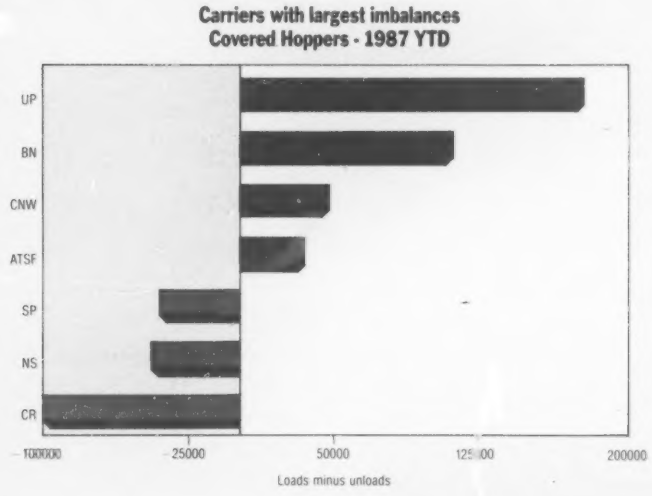
Carloadings by Commodity - Total U.S. Traffic
Third Quarter and YTD

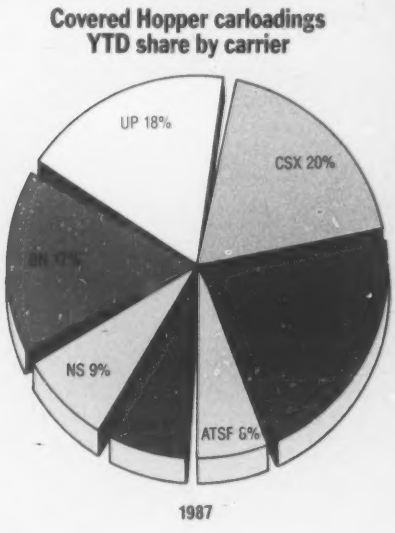
(Thousands)

	Major Commodities								
	Coal	Grain	Steel Ind.	Chemicals	Crushed Stone	Autos	Paper	**Intermodal**	**Total Industry**
3 Q 1987	1471.9	409.1	524.5	333.1	215.6	202.7	160.2	1032.4	5248.2
3 Q 1986	1403.9	325.9	468.0	306.1	189.3	226.9	161.4	937.0	4868.4
Change	68.0	83.2	56.5	27.1	26.3	−24.2	−1.2	95.4	379.8
1987	4485.8	1169.3	1562.2	1070.9	582.4	761.6	518.9	3152.4	16136.4
1986	4514.0	944.6	1496.1	1001.2	542.4	825.5	531.2	2915.9	15514.5
Change	−18.5	222.1	86.4	73.7	44.7	−61.2	−13.4	242.4	669.3









Carloadings by Car Type - Total U.S. Traffic
Third Quarter and 1987 YTD

(Thousands)

	Total Loaded						
	Covered Hoppers	Flats	Gondolas	Hoppers	Tanks	Boxcars	All Other
3 Q 1987	902.3	1080.6	701.4	1633.1	340.0	562.0	100.8
3 Q 1986	741.7	1014.7	632.7	1521.8	296.6	543.6	99.4
Change	160.6	65.9	68.7	111.3	43.4	18.4	1.4
1987	2732.6	3446.2	2119.1	4888.4	1059.9	1867.0	311.5
1986	2291.0	3232.0	2033.6	4761.6	964.4	1836.7	312.9
Change	441.6	214.2	85.5	126.8	95.5	30.3	-1.4